



Power Machines

**Flash
Note****BUY****Upside: 31%****Target Price: \$0.245****Analyst: Ekaterina Tripoten**

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Stock data

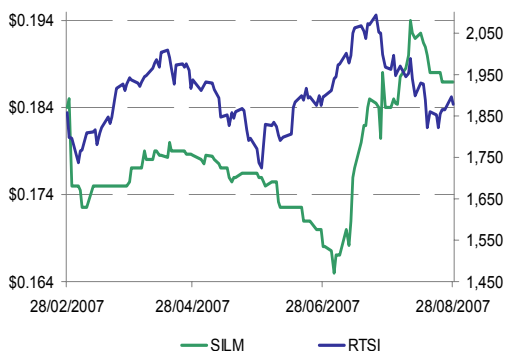
Ticker	SILM	M.Cap, \$ mn	1,628.6
Shares Ords	8,708,938,708	Free float	19.6%
Shares Prefs	-	Free float, \$ mn	324.3
Bid Ords, \$	0.182	Offer Ords, \$	0.187

Market performance

		1 month	6 months
Absolute	Ords	1.63%	1.63%
Relative to RTSI	Ords	6.2%	0.61%
Price range, \$			
High	Ords	0.1905	0.1905
Low	Ords	0.1840	0.1650

Financials, 2007E

Revenue, \$ mn	939.3	P/S	1.76
EBITDA, \$ mn	62.1	EV/EBITDA	30.85
Net income, \$ mn	-22.7	P/E	NEG.

Power Machines – Relative performance

Source: RTS

- Yesterday, Interfax reported that UES' strategic and restructuring committee recommends setting the starting price of the sale of UES' 25% + 1 share stake in Power Machines at a price which is 15% higher than the issue price of the company's SPO in July. In the SPO held in July, shares were issued at a price of \$0.184 per share. Thus, the starting price should be \$0.212 per share or more than \$460 mn for the whole of UES' stake. This is 13% higher than yesterday's closing market price.
- UES plans to sell its stake in Power Machines, as UES itself will be liquidated (via open auction) by July 1, 2008 as a result of the reforms being carried out in the power energy industry. Besides UES, Interros will also sell its 30.4% stake in the Power Machines. Interros has already announced officially that it has found an (undisclosed) buyer for its stake.
- Aleksey Mordashev, the main shareholder of Severstal is widely considered to be the likely buyer of both stakes. Mordashev has already applied to the Federal Antimonopoly Service (FAS), requesting permission to bid for a 100% stake in the company. Earlier, Interfax reported that his candidature as the new controlling shareholder of Power Machines has been approved by the Russian authorities. Nonetheless, it is still possible that the final sale price of UES' stake will exceed the starting price mentioned earlier.
- We consider it highly unlikely that Interros will sell its stake in the company at a cheaper price (per share) than UES. Thus, the new owner of over 30% of Power Machines will be obliged to make an offer to the company's minority shareholders at the acquisition price.
- We, therefore, reiterate our **BUY** recommendation on Power Machines with a target price of \$0.245 per share, which offers potential upside of 31% from yesterday's closing market price.



Recommendations for securities

STRONG BUY:	Upside over 25%; confidence level – high / upside over 100%; confidence level - low
BUY:	Upside between 15 and 25%; confidence level – high / upside between 25% and 100%; confidence level – low
HOLD:	Upside of less than 15%; confidence level – high / upside of less than 25%; confidence level – low
SELL:	Fair value at or below current price levels

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